7:Gluckstein S-4 (no date)1952 El Europe El

CHAPTER IV

RUSSIA AND THE ECONOMY OF THE SATELLITE STATES

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Lack of Capital in U.S.S.R.

The extent to which Russia can assist in the industrialisation of Eastern Europe is determined primarily by the level of her national income compared with that of her satellites. On this point Colin Clark has given an unequivocal reply:

Country	*Period*	*Real Income per Head of Working Population in International Units*
Czechoslovakia	1925-27	455
Hungary	1925-34	359
Poland	"	352
Yugoslavia	"	330
Bulgaria	"	284
Rumania	1925-39	243
Average		344
U.S.S.R.	1937	379

(Ibid, pp. 40, 86).

The average real income per head of occupied population was lower in U.S.S.R. than in Czechoslovakia but higher than in the other Eastern European countries. The average figure in these countries was about 10 per cent lower than in U.S.S.R. For the sake of comparison it is important to remember that the real income per head of occupied population over the period 1925-34 (i.e., including the 1929-33 slump) was in Britain 1,069 and in U.S.A. 1,381, 182 per cent and 264 per cent higher respectively than in U.S.S.R. in 1937.

Another consideration must be taken into account. The accumulation of capital is dependent not only on an income level which makes it possible to save by abstaining from immediate consumption, but equally necessarily requires that there should be available to the saver (directly or indirectly) the capital goods which he needs. If peasants abstain from consuming half their products, they cannot invest the surplus

7:Gluckstein S-4 (no date)1952 El Europe El

434 in railway construction, unless there is somebody ready to supply, in exchange for their agricultural products, the rails, locomotives, etc. In this connection, the supply of capital goods, the ability of Russia to help the countries of Eastern Europe, is even more limited. Russia's income is not big enough for part of it to be devoted to investments in Eastern Europe. Her heavy industries producing capital goods—the main constituent of any new investment—are much too weak to spare much for her satellites. This would have been absolutely clear had we been able to compare the amount of capital goods produced per capita in the U.S.S.R. with that produced in the countries of the West, but the necessary statistics for such a comparison are not available, and we shall have to resort to a less exact means of comparison to throw light on the subject. We shall compare the production in different countries of steel, the chief material from which capital goods are made. In the U.S.S.R. in 1937 105 kgs. of steel per capita were produced, as against 397 in the U.S.A. (1929), 291 in Germany (1929), 279 in England (1929), and 188 in France (1929).

439 The *Manchester Guardian* of 19 May, 1949, dealt with the need of the satellite states for capital goods and Russia's inability to satisfy it:

'. . . Russia's satellites do genuinely want more trade across the Iron Curtain. They badly need both machinery from Western Europe itself and raw materials from the British Commonwealth. Trade with Russia has quite failed to take the part in their economy that the West, and Germany especially, used to do. The Russians cannot make enough capital goods both for their own needs and for the industrialisation of Eastern Europe; it is, of course, the satellites who go without.'

This explains why at least two of the satellites, Czechoslovakia and Poland, showed clearly that they wished to take part in the Marshall Plan. On 4th July, 1947, the Czechoslovak Government decided *unanimously* to accept the invitation to the Paris Conference convened to discuss the Marshall Plan. A few days later Gottwald and Masaryk left for Moscow and three days later Prague declared that the Government declined to take part in the Conference. Even when, under Moscow's orders, the satellites fell into line on this question, the

7:Gluckstein S-4 (no date)1952 El Europe El

concentration camps in the twelve years of Hitler's rule are testimony to this. What magnificent heroism on the part of unarmed and helpless people to challenge the brutal state machine with its all-seeing eye and unlimited terror!

The Communist Parties knew all this very well. Immediately after June 1941 they emphasised that this time, because of Russia's part in the war, no new Versailles Treaty with reparations clauses would be imposed and that the German people would not be made to pay for the crimes of their rulers. The German proletariat, they said, was not more responsible for the war than the English or the French, and they repeated the same views on the question of reparations as the Communist International had after World War I. At that time the leaders of the French Communist Party explained why the French workers should oppose the exaction of reparations from Germany. Thus Gabriel Peri wrote in an article entitled 'On the Eve of the Reparations Conference': '. . . the workers of France and Germany have only *one* interest, viz., that of forming a revolutionary front against financial capital and the heavy industries in both countries. For the enormous sums at stake (the reparations—YG) will naturally be squeezed out of the working masses'. (*International Press Correspondence*, February 1st, 1929).

But all this changed with the hope of Russian victory. With Russia becoming the Power able to extract reparations, her opposition in principle to reparations vanished. Instead she decided to take reparations on a far larger scale than ever the French Government had dared after World War I.

Edward Charles in his article 'Reparations, 1919-31', in *The Banker* of April, 1945, writes on the reparations that Germany paid after the first world war: 'Reparations before the Dawes Plan brought in some 8 milliard gold marks. From September, 1924, to the end they yielded a further 10 milliards'. There is no reliable calculation of the national income of Germany between the end of the first world war and the introduction of the Dawes Plan. It is therefore impossible to calculate what proportion of the national income reparations made up. But for the years 1924-32 this figure is available. The total national income of Germany for these 9 years was calculated at 564.3 milliard marks, and in the same period

7:Gluckstein S-4 (no date)1952 El Europe El

Germany paid reparations to the extent of 9.8 milliard marks, or 1.7 per cent of the national income. In no year after the first world war did the reparations paid by Germany exceed 4 per cent of the national income. To calculate the burden of these reparations, other criteria besides the national income, such as budget revenue or exports, can be applied. The reparations Germany paid rose from 12.9 per cent of the budget revenue of Germany or 9.9 per cent of the value of its exports in 1924-5, to 25.7 per cent and 18.4 per cent respectively in 1928-9.

With regard to Germany's looting of Europe during the second world war, German official statistics admit that up to 1943 the Reich got from the occupied countries 'special incomes' amounting to 50 milliard marks. British official estimates give a figure of 12.8 milliard dollars for the same period. The two figures thus nearly tally. Nearly all the German robbery took place immediately after the occupation. If we, therefore, assume that the annual looting of the occupied countries by Germany after 1943 was the same as the annual average of 1939 to 1943, we shall certainly not underestimate it: on this basis the total German looting amounted to 20-25 milliard dollars.

A comparison between the reparations paid by Germany after the first world war—about 18 milliard marks or 3.6 milliard dollars—with the 'reparations' that Germany took from Europe in the second world war—20-25 milliard dollars—reveals the increasingly plunderous character of declining capitalism, as exemplified by the Hitler regime.

Russia's attitude to the question of reparations after the second world war was expressed clearly by Prof. Varga in an article published in *War and the Working Class*, 15th October, 1943. He concluded that Germany must pay reparations to the tune of 90 milliard marks or about 22 milliard dollars, and he stated that the Russian government asked in addition for ten million German workers to be sent to Russia for reconstruction work.

A claim for such large reparations, coupled with a demand for ten million workers, i.e., nearly a third of the total German working class, was incompatible with the existence of Germany as an important industrial country. At Yalta, consequently,

7:Gluckstein S-4 (no date)1952 E1 Europe E1

648 728 Stalin had to demand that 80 per cent of German industry should be dismantled within two years of the cease-fire. (James F. Byrnes, *Speaking Frankly*, London, 1948, pp. 26-7).

In view of the division of Germany between East and West, Russia did not want to exclude the possibility of the Communist Party's influencing the German people, and so she did not press her claim for ten million slave labourers or the dismantling of 80 per cent of German industry. Nevertheless the total sum lost by Germany directly and indirectly under the post-war arrangements in the East exceeded the total sum for which Varga asked.

It is difficult to get a full picture of this looting, as it was carried out in many guises, and those responsible for it were of course extremely anxious to conceal what was happening. But the following facts are incontestable.

First, millions of Germans were expelled from their homes and lost their property. The President of Poland, Bierut, estimated that Poland's gains in the West, i.e., from Germany, have an investment value of 9½ milliard dollars. The property of the Sudeten Germans of Czechoslovakia was estimated at 4 milliard dollars. If we assume that the rest of the Germans who inhabited the former territory of Poland, Hungary, Rumania, etc., were on the average as wealthy as the inhabitants of the portion of Eastern Germany that was annexed to Poland and the Sudetan region, their property must be evaluated at about 6 milliard dollars. Therefore the expulsion of the Germans alone brought in 'reparations' amounting to about 20 milliard dollars.

The Yalta Agreement decided in principle that Germany would pay reparations amounting to 20 milliard dollars, half of which would go to Russia.

Unlike what happened after the first world war, after this war no figures were published of the quantity of reparations taken or the form in which they were taken.

Reparations from Rumania

648 728 434 The armistice imposed on Rumania required payment to Russia of reparations in the form of goods amounting in value to 300 million dollars in 1938 world market prices, or 700-800 million dollars today. The reparations were made up as

7:Gluckstein S-4 (no date)1952 El Europe El

follows :—petroleum products, 50 per cent; ships, barges, locomotives and industrial equipment, 32 per cent; agricultural goods and timber 18 per cent. The second group did not make up even as much as 10 per cent of Rumanian exports before the war.

There are no estimates of the proportion of the national income which these reparations represent. The only clue is that given in June 1947 by the vice-Premier, Tatarescu, who gave the proportion as 50 per cent of the total production of Rumanian industry. It would be very unwise to accept this figure uncritically, as it was given on the eve of Tătărescu's conflict with the Communist Party which ended in his expulsion from the Government. Even if it were accurate, this figure would not be very useful as it relates only to industrial production, and not to the whole national product.

In addition to the reparations, Rumania had to give as restitution for goods looted from Russia 100,000 wagon loads of cereals, 260,000 head of cattle, 5,500 wagon loads of sugar, 250 tractors. (Of course, most of the loot taken from Russia by the Rumanians when they occupied it had already been destroyed and lost, and 'restitution' meant taking new products or those in good condition.)

The most important machinery of the Ploesti Oil Refineries was dismantled by the Russian military authorities, and the Rumanians also had to hand over a fifth of the machinery of the textile and metallurgical industries. It must also be remembered that the Russian army lived off the land. There are no statistics of the total cost thus incurred by the country, but it was certainly very great. According to the estimate made in February, 1946, by La Guardia, who was the head of U.N.R.R.A. at the time, the four occupation armies in Austria cost the country 200 million dollars a year. For three years the Russian army in Rumania was not smaller than all the four occupation armies in Austria put together at the beginning of 1946. In view of the complete silence of the Russian authorities about the amount of reparations they took from Rumania, it is impossible to ignore the estimate given by the U.S. delegate to the Paris Peace Conference, Willard L. Thorp, who said on September 23rd, 1946, that Rumania paid in reparations of all kinds 1,050 million dollars and that he estimated that

7:Gluckstein S-4 (no date)1952 El Europe El

648 950 million dollars remained to be paid. E. D. Tappe wrote:
728 'It has been estimated that in fact Roumania, from the armistice to 1 June 1948, paid the U.S.S.R. $1,785 million in goods, etc.; a figure which would represent 84 per cent of Roumania's national income for that period.' (R. R. Betts, editor, *Central and South East Europe, 1945-1948*, London, 1950, pp. 20-21).

Reparations from Hungary

Hungary had to pay reparations in goods amounting to 300 million dollars at 1938 prices, 200 million to U.S.S.R., 50 million to Czechoslovakia and 50 million to Yugoslavia. Industrial goods constituted 83 per cent and agricultural goods 17 per cent of this total. Yet in 1936-7, the proportion of agricultural goods in the total exports of Hungary was 62 per cent, while industrial goods did not make up even a third of all the exports. From this it is clear that Hungarian industry had to make a tremendous effort to supply the reparation goods, especially in view of the terrible devastation her industry suffered in the war, and her own great needs.

An U.N.R.R.A. estimate shows that in 1945, 94 per cent of
648 the working capacity of the metal and engineering industries in
728 Hungary was being used for reparation-goods for Russia. The
● 434 British parliamentary delegation which visited Hungary in the spring of 1946 estimated that reparation demands amounted to 18 per cent of the national income.

The Hungarian budget for the year 1946-7 set aside for reparations a sum eight times bigger than that allocated to reconstruction (and we must not forget that a large part of the Russian loot is not even included in the budget as it was taken from industries officially in Russian hands). On 23 July, 1946, in a note to the Soviet Government, the U.S. Ambassador in Moscow pointed out that half the current industrial production of Hungary was absorbed in meeting Russia's demands. In some industries, including coal, iron and machine production the proportion was 80-90 per cent. At the Peace Conference in Paris in October, 1946, the U.S. representatives claimed that in the year since the armistice about 35 per cent of the national income of Hungary was spent on the costs of Soviet reparations, occupation and requisitions. The British parliamentary delega-

7:Gluckstein S-4 (no date)1952 El Europe El

tion mentioned above estimated the occupation costs at 12 per cent of the national income of Hungary, making with reparations a total of 30 per cent. Now that the Russian Army has been very much reduced and production has passed the pre-war level, the importance of reparations, acquisitions, etc., in the national income has very much declined. According to T. Mende, who was not unsympathetic to the post-war regime in Hungary, they amounted to 7-11 per cent of the national income (*Fortnightly Review*, July, 1948). When Ernö Gerö, the Minister of Finance, introduced the budget for 1949 in the Hungarian parliament on December 15th, 1948, he said that in 1948, 25.4 per cent of the total expenditure went to pay the reparations, while in 1949, 9.8 per cent of the budget would be allocated for this purpose. This reduction is due largely to the fact that Russia cancelled 50 per cent of the remainder of the reparations from July, 1948.

The value of dismantled machinery, locomotives, wagons, etc., taken by the Russian army in Hungary was estimated at 124 million dollars, and the requisitions of the Russian army that lived on the country were very great. According to the American note of 23rd July, 1946, the Soviet forces had up to June, 1945, taken out of Hungary four million tons of wheat, rye, barley, maize and oats (the total pre-war annual production of these grains was a little over 7 million tons). Of the foodstuffs available for the urban population in the second half of 1945 the Soviet army had appropriated nearly all the meat, one-sixth of the wheat and rye, one-quarter of the legumes, nearly three-quarters of the lard, a tenth of the vegetable oils and a fifth of the milk and dairy products. The note added that extensive requisitioning of food was going on as late as April, 1946. And we must not forget that at the same time the food shortage in Hungary was so serious that not more than 850 calories a day per person were provided, which was even fewer than in Germany and Austria. The death rate, especially among babies, reached alarming proportions.

Even countries which were not allies of Germany during the war did not escape the Russian appetite for loot. 60 big industrial enterprises in the Sudeten region and a number of enterprises in other parts of Czechoslovakia were dismantled by the Russian army. In the part of Germany annexed to

7:Gluckstein S-4 (no date)1952 El Europe El

in manufacturing industry, the Czechoslovak Plan an increase of 250,000, the Bulgarian Plan an increase of 90,000 and the Hungarian Plan an increase of 300,000 (including industries other than manufacturing). The U.N. Survey that gives these facts, remarks: 'These figures, if related to present employment in manufacturing, indicate a substantial increase. If, however, the figures are related to the total populations of the countries, they are less striking. In the four countries mentioned, additional employment in industry over the plan period accounts for only 1 to 2 per cent of the total population, which in itself is expected to rise by some 5 per cent in the same period' (p. 206).

On many points the plans are silent. Unlike Russia's first Five Year Plan or the plans of the Organisation for European Economic Co-operation for Western Europe, the Plans of the 'People's Democracies' contain no information about foreign trade either among themselves or between each of them and Russia, or the West. They also blur over the question of how the total national income will be divided between consumption and accumulation (investment), but contain only some scattered information about the planned consumption of some particular goods. This silence speaks volumes. The non-publication of information about foreign trade is intended to cover up the exploitation of these countries by Russia; the non-publication of information about the division of the national income between consumption and accumulation is intended to cover up the exploitation of the masses under the banner of industrialisation.

This last point about the division of the national income between consumption and accumulation is of vital importance when we attempt to discover the factors determining the living conditions of the masses. Burdened with a terrible backwardness, an autocratic bureaucracy and the yoke of Russian imperialism, industrialisation will inevitably be carried out in such a way that compulsory savings will far surpass what the people themselves would be ready to save of their own free will. In such circumstances, consumption must be subordinated to accumulation, as the experience of Eastern Europe over the past few years (and of twenty years' planning in Russia) has clearly shown. The following table illustrates the 'capital

7:Gluckstein S-4 (no date)1952 El Europe El

●434 starvation' of the industries producing consumption goods, while the new capital investment is directed into the capital goods industries:

ESTIMATED NET INVESTMENT IN FIXED CAPITAL IN INDUSTRY IN 1947
(MILLIONS OF DOLLARS IN 1938 PRICES)

	Hungary		*Poland*	
Food processing, etc. ..	−1.7		−1.4	
Textiles and clothing ..	0.5	−1.5	−10.0	−11.7
Leather and rubber ..	0.1		0.2	
Paper and printing	−0.4		−0.5	
Timber and timber products	−0.1		0.2	
Building materials, etc. ..	−0.7		−1.0	
Metals and engineering ..	5.3	5.8	7.4	13.6
Chemicals	0.5		6.2	
Total manufacturing ..	3.5		1.1	

(Ibid. p. 53)

This is a foretaste of the future.*

185 433 As regards agriculture the Plans for all the countries, except Poland, provide that the output shall exceed the pre-war level, by about a sixth in Czechoslovakia and Hungary, and a third to a half in Yugoslavia and Bulgaria. In Poland it may not exceed its pre-war level in present territory. (Ibid. p. 206).

*In U.S.S.R. the relatively great lag in industries producing means of consumption behind those producing means of production is shown by the following official data of the division of the gross output of industry:

DIVISION OF GROSS OUTPUT OF INDUSTRY INTO MEANS OF PRODUCTION AND MEANS OF CONSUMPTION (IN PERCENTAGES)

	1913	1928	1932	1937	1940	1942 (Planned)
Means of production	33.3	32.8	53.3	57.8	61.0	62.2
Means of consumption	66.7	67.2	46.7	42.2	39.0	37.8

It is very difficult to check the *absolute* change in the production of different means of consumption. In Russian statistics a number of simple tricks are used to describe the situation in more glowing terms than is true. The output of a number of consumption industries is given only in monetary terms; the production of the small factories which, till 1928, made an important contribution to the production of means of consumption, is not included.

Official statistics can therefore show a tremendous rise in the output of shoes, which, however, cannot be squared with the facts. The number of animals slaughtered annually after the big 'collectivisation' drive never reached the number slaughtered previously, as it was not until 1938 that the total number of livestock reached the 1929 figure (in 1929 cattle numbered 68.1 million, in 1938, 63.2; sheep and goats numbered 147.2 and 102.1 million respectively). At the same time the surplus of imported hides, skins and leather over exported was 54.3 thousand tons in 1928 as against only 15.6 thousand tons in 1938. Only Stalinist statisticians can produce the 'miracle' of tripling the number of leather shoes out of a decreasing quantity of leather. The Russian government, relying on the 'short memory' of the people, or more correctly on the oppressive machinery which ensures that past memories remain unuttered, adds insult to injury. While promising a tremendous rise in the production of means of con-

7:Gluckstein S-4 (no date)1952 El Europe El

1948: 'Czechoslovakia today can fairly claim to be the hungriest country in Europe—hungrier than even Austria'. The Viennese Socialist paper *Arbeiter Zeitung* wrote on 23rd June, 1948: 'Travellers who often come from Prague to Vienna report that in the last few weeks, for the first time, they have not taken goods from Prague to Vienna, but on their return from Vienna to Prague'. The paper adds particulars of prices on the black market in Prague. It is possible to cite innumerable facts to the same effect.

There can be no doubt about who suffered from the shortages, which were the result partly, but only partly, of the drought of the winter of 1947-8. The drought fails to explain either the acute shortage of textiles, shoes, (in the country of Bata!) and other consumer goods, or the duration of the shortages.

It is clear from official data that the portion of the social product going to the workers is decreasing. In January, 1946, the total product of Czechoslovakian industry was sold for 9.09 milliard crowns; wages and salaries in industry itself came to 2.83 milliard crowns, i.e. 31.6 per cent of the turnover. A year later, in January, 1947, the total sales amounted to 15.66 milliard crowns; wages and salaries came to 4.03 milliard or 25.7 per cent of the turnover. This decline in the portion of wages and salaries was accompanied by an increase in the turnover per hour of work from 50 crowns to 78 crowns, a rise of 56 per cent (*Statistical Bulletin of Czechoslovakia*, published by the State Statistical Office, Prague, July, 1947). If the statistics had included only wages and not salaries as well, the decline would have been even bigger.

The journal *Účetnictví a Kontrola*, issued by the trade union publishing house, Práce, submitted the state budget to a detailed analysis in order to get an approximate estimate of the cost of the bureaucracy. This reveals that the travelling expenses of the administration proper—that is, the ministries, not including the administration of the nationalised industries—amounted to not less than 780 million crowns, the maintenance of automobiles to 180 million. How large these amounts are is clear from the fact that the expenditure on travelling of these bureaucrats would cover the difference between the meagre wages of about 300,000 families and a minimum living

7: Gluckstein S-4 (no date) 1952 El Europe

standard. In summing up, the article states: 'The public administration swallows 48 per cent of the national income. How will it be possible to raise the standard of living of the whole people, how will the wide layers of the toilers be satisfied, how will it be possible to pay proper salaries to government clerks?' (From an article, 'Let us think about the Figures', quoted by V. Salus in the theoretical paper of the Czech Social Democracy, *Cil*, August 15th, 1947, under the interesting heading, 'Economic Democracy and the New Nobility').*

The division of the national income in Yugoslavia is not less unequal than in the other 'People's Democracies.' Vernon Bartlett, when in Belgrade, described the situation in the

*For a time the Communist Party leaders tried to cushion the conflict between the workers and the 'new nobility' by directing the hostility of the masses exclusively against the bourgeoisie. For example in October, 1947, in connection with the relief to the peasants who were suffering from the drought, the Communist Party raised the slogan 'Let the millionaires pay', and proposed as a solution the imposition of a property levy. Of course the bureaucracy, being 'propertyless—in form' would not have to pay anything. The Communist Party tried to overlook the fact that the portion of the national income of Czechoslovakia in the hands of the bourgeoisie was so small, only a quarter of industry being left in their hands, that the only possibility of seriously improving the conditions of the masses was by 1. cutting into the income of the bureaucracy; 2. raising the general national income; 3. preventing Russia from taking her cut from the national income.

The Communist Party claimed that there were 35,000 millionaires in Czechoslovakia. This is a large number, but it is much less impressive when it is realised that they were not pound sterling or dollar millionaires, but crown millionaires. A million crowns in July, 1947, was equal to five thousand pounds sterling. Even according to the Communist Party estimate the wealth of these 35,000 'millionaires' was only 50 milliard (According to the bourgeois paper *Svobodné Slovo* there were only 12,000 millionaires with a property of 22 milliard crowns). 50 milliard crowns is only about a quarter of the *annual national income* of Czechoslovakia.

The conditions of the masses could not therefore be substantially improved at the expense of the bourgeoisie, but only by improvements in the nationalised sectors of the economy and at the expense of the bureaucracy. This is proved by the distribution of the national income:

Personal Income at Factor Cost (thousand million of crowns.) 1947	
1. Entrepreneural profits in industry, trade and professions and private income from capital	22.0
2. Rentals and sub-rentals (including net rental value of owner-occupied dewllings	5.2
3. Independent agriculturists	25.4
4. Wages and salaries	125.9
5. Pensions of Government employees	5.7
6. Unfreezing of blocked accounts to people of limited means	6.3

In addition there were a number of other small items.

(Statistical Office of the United Nations, *National Income Statistics of Various Countries, 1938-1948*, Lake Success, New York, 1950, p. 59).

The figures speak for themselves. The possibility of increasing item 4 at the expense of item 1 is very limited indeed.

7:Gluckstein S-4 (no date)1952 El Europe El

following terms: 'Here, as in Moscow during the war, I am shocked that leaders who boast so much of the dictatorship of the proletariat should enjoy privileges that are relatively far greater than those enjoyed by any privileged class in Britain or in most of the other countries condemned by Moscow as Fascist and imperialist'. (*News Chronicle*, 26th April, 1949).

The situation was described sixteen months later by the correspondent of the *Neue Zürcher Zeitung* in the following terms: 'The social revolution in the eastern countries, which pretended to have the abolition of exploitation and inequality as its aim, leads in actuality to the erection of a *hierarchically ranked social order* with a whole number of privileged layers. This can be observed daily in Yugoslavia in the same way as in the Cominform countries and one will always be astonished at the way in which the bearers of the system take the privileges they enjoy for granted. The proletarians who stand in the queues near the bus stops look with greedy eyes at the lit-up American cars of the state leaders, resplendent in chrome and coloured varnish, which pass swiftly by them. The higher-ups of the State and Party travel in the latest model cabriolets, the great ones of second rank travel in limousines. Skoda and Opeldienst cars are at the disposal of high officers and officials.

'In the entrance to the People's Front Street in Marshal Tito Boulevard stands a big warehouse. Men in khaki or white uniforms with gold epaulettes go in and out. The *warehouse* is reserved *for officers* and their families. There they can buy clothes, shoes, furniture, carpets and other goods of better quality and cheaper price than the common mortal can buy. The officers get their food rations there too—far larger rations than those of workers and clerks. So large are these rations, that in the spring, at the time of the great food scarcity, peasants came to town in order to buy from the officers their surplus fat and flour at black market prices.

'It is obvious that the police and high officials also have their own store. The *warehouse of the political police* is even better supplied than that of the officers. Naturally these categories of the population also have their special rations. It is the same here as in the other Eastern countries: one who has a higher post and a higher salary also gets larger food rations and is less directed to the expensive free market than the poorly-salaried

7:Gluckstein S-4 (no date)1952 El Europe El

small man. Reductions in prices for the higher-paid instead of for those with smaller means . . .' (*Neue Zürcher Zeitung*, 30th August, 1950)*

One aspect of the problem of the mode of distribution of the social product is this: to what extent is the differentiation between different income groups concomitant with national differences? How much of the cream of the milk produced in the satellites is in the form of higher personal incomes for Soviet officials? These facts are unfortunately covered by a veil of secrecy. Some facts, however, have emerged. A letter of the Central Committee of the Communist Party of Yugoslavia to the Central Committee of the Communist Party of the Soviet Union (dated 13th April, 1948) stated: 'The wages of the Soviet experts (working as advisers in Yugoslavia—Y.G.) were four times as high as the wages of the commanders of our armies and three times as high as the wages of our Federal Ministers. The commander of one of our armies, a lieutenant-general or a colonel-general, then had 9,000 to 11,000 dinars a month, and a Soviet military expert, lieutenant-colonel, colonel and general had from 30,000 to 40,000 dinars. At the same time our Federal Ministers had a salary of 12,000 dinars a month.' The reply of the Central Committee of the Communist Party of the Soviet Union (dated 4th May, 1948) did not deny the correctness of these figures, but claimed as an extenuating circumstance the fact that the Yugoslav generals also got 'apartments, servants, food, etc.'

The paper *Glas*, the organ of the People's Front of Serbia, in its issue of 16th December, 1949, gave another example of the same thing. Near Sofia an automobile factory employing Russian, Czech and Bulgarian specialists was being built. The salary of the Russian specialists was 2,000 levas an hour, of the Czechs 2,000-3,000 levas a day, and of the Bulgarian 250-300 levas a day. These differences were certainly not due mainly to differences in skill.

*Since then a big change has taken place. On 14th October, 1950, Marshal Tito signed a decree abolishing special privileges in the supply and distribution of rations and consumer goods, doing away with the special shops of the upper bureaucracy, and transferring all villas and rest homes hitherto reserved for the privileged to the tourist industry. Whether this is a temporary measure resulting from the terrible drought and famine of the 1950-51 winter, it is too early to say.

8: Black S-4 (no date) 1954 El Europe El

conditions. Credit was no real help unless the peasant had a reasonable expectation of being able to pay back what he had borrowed. In many cases this hope was negligible. A large proportion of the money which the peasants, particularly the small peasants, borrowed went to buy consumer goods. Thus, greater indebtedness did not point to a higher degree of investment, but to the extreme poverty of the small farm.

There was some state help for this situation, especially during the world-wide depression of the 1930's. In Bulgaria and Rumania agricultural debts were converted by government action. In 1934 some two hundred thousand Bulgarian peasants benefited by reductions in their debts and in the rate of interest and by a prolongation of the time allowed for settlement. In Rumania some two and one-half million peasants were assisted by similar legislation. Other measures, although not so far-reaching, were put into practice elsewhere in Eastern Europe to alleviate peasant indebtedness. But the credit problem was only mitigated, and not solved. The peasants' need for cash remained, and the lack of capital still prevented them from improving their farming techniques or increasing their earning capacity.

The governments promoted intensive cultivation of non-cereals. Grain production was not appropriate to an over-populated region, and a change to the production of livestock, livestock products, fruit, and vegetables was necessary. In Bulgaria and in some parts of Yugoslavia, intensive cultivation of garden crops, such as tobacco, tomatoes, wine, fruit, and roses was introduced. In Rumania, the cultivation of soya and other oil plants was introduced. These measures were, of course, just a beginning, and could not bring any substantial remedy.

Agriculture played the most important role of any single factor in all the Eastern European countries except Czechoslovakia. The largest part of the national incomes was de-

8: Black S-4 (no date) 1954 El Europe El

241 rived from agriculture. National prosperity was dependent
● 434 on the outcome of harvests and on the possibility of agricultural exports.

439 In the interwar period, these countries were victims of the fluctuations of the world market and of the policy of autarky which resulted from them. The countries of Western Europe from 1930 to 1932 imposed high tariffs on food imports in order to ward off the effects of the international slump in agriculture. In doing so, they ruined the Eastern European peasant. Export of agricultural products from all Eastern European countries was reduced to a minimum and prevented these countries from balancing their trade. Thus, it was impossible for them to buy the industrial goods and manufactures on which they depended to maintain industrial employment and the standard of living of the peasants themselves.

This crisis further reduced the possibilities of export because the Eastern European states were unable to compete in prices with the overseas agricultural exporting countries that had technical aid at their disposal and because they could not afford the enormous sums necessary for subsidizing exports of agricultural products. Many attempts were made by agrarian conferences to alleviate the distress by asking a preferential tariff system for this region, which would have meant the almost complete abolition of the most-favored-nation clause in bilateral commercial agreements. Another remedy was seen in the creation of an interstate grain purchasing commission that would buy up the chief surpluses from the Eastern European countries and distribute them among the different European importing countries. These proposed methods arose from the primary need of Eastern Europe, which was to acquire some form of economic security in the world market in order to provide a stable basis for peasant society.

Everything was in vain. It was impossible to achieve